EXHIBIT C

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

SIMPLIFICATION, LLC,	)	
	)	
Plaintiff,	)	
	)	C.A. No. 03-355-JJF
v.	)	C.A. No. 04-114-JJF
	)	CONSOLIDATED
BLOCK FINANCIAL CORP.,	)	
and H & R BLOCK DIGITAL	)	
TAX SOLUTIONS, INC.,	)	
	)	
Defendants.	)	

Thursday, June 5, 2008
2:47 p.m.
Courtroom 4B

844 King Street
Wilmington, Delaware

BEFORE: THE HONORABLE JOSEPH J. FARNAN, JR.
United States District Court Judge

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Honor.

Good afternoon, Your Honor. My name is Pete Curtin from Venable and I'm here on behalf of Simplification, the plaintiff in this case. If it is appropriate, Your Honor, I would like to hand up a copy of the slides I'll be showing here today. I have one for opposing counsel as well.

THE COURT: Sure.

MR. CURTIN: Your Honor, there are two patents at issue here in this case, and their full names and their numbers are set forth in the briefs in detail, but we call -- the first patent is called the '052 patent.

And the '052 patent discloses and claims a method and apparatus and a computer readable medium for something called automatic tax reporting.

The second patent is the '787 patent, and that's a continuation of the first, it has an identical specification amount and the '787 patent discloses and claims a method and apparatus and a computer readable medium for collecting tax data.

Like all patent cases, Your Honor, this case began with an idea and it was an idea that a lone inventor had back in 1996. That gentleman's name is David Miller and he's a tax attorney himself. And Mr. Miller was doing his taxes in 1996 using a commercially available tax preparation software when he had an idea. And the crux of this idea, Your Honor, was the realization that a substantial amount of the tax data you need to determine your tax liability existed electronically. So in that case, why should he have to enter it all in manually.

His concept was why not reach out electronically to the tax data provider, connect electronically with that tax data provider, and retrieve tax data to the extent you could from that tax data provider electronically so that that tax data could be processed and used to help prepare an electronic tax return that then may or may not be filed electronically.

Mr. Miller thought about that idea for a while, investigated, felt it had some merit, as far as he could ascertain, no one else was doing it in 1997.

Mr. Miller filed the original patent application in this case, and then he later founded Simplification LLC which is his own company, a one-man shop. And here we are today.

Because the initial patent application was filed back in 1997, and that's eleven years ago, but that is a lifetime ago in the context of computers, technology and the speed with which that advances, because back in 1997, no one was out there with a product practicing this claimed invention. Today, there are a number of people who do.

Now, there are thirteen terms that are in dispute, Your Honor, across the claims of the two patents. But in -- I understand that the patents have already briefed these issues extensively and we have limited time before the Court today, so we're going to leave a lot of the minor issues, Simplification is going to leave a lot of the minor issues to the papers, although we're happy to take any questions the Court may have.

My presentation is going to focus

on four major disputes between the parties, four core issues that if the Court resolves those four issues, it takes care of -- it takes care of most of the claim construction.

The first dispute, Your Honor, is the dispute over the meaning of the term automatic tax reporting. And particularly, the automatic piece of that.

That term is contained in the preamble of all the claims of the '052 patent. And Block's proposed construction of automatic essentially would change that term to mean fully automated. And Simplification's response is no, those terms have different plain meanings, they're different and that is not what was claimed in the patent.

The second major dispute, Your Honor, deals with the meaning of the term electronically, which is contained in all the claims of both patents. Block's proposed construction which essentially defines electronically to mean automatically, and to do that, they rely on excerpts of arguments taken from a hearing in the reexamination before the

patent office. And those arguments are taken out of context, Your Honor, because Simplification's arguments regarding electronically were all made in the context of two claims in one of the patents. In fact, two limitations in Claims 1 and 10 of the '787 patent and Block argues that that definition should be imported across all of the claims in both patents and that's inappropriate.

Simplification says no, electronically means electronically, automatic means automatic and you shouldn't have a construction of electronic that renders automatic superfluous.

The third core dispute has to do with the construction of the means plus function limitations because a number of the claims in both patents are within this means plus function format. I'm sure as the Court is aware to conclude a means plus function first you have to identify the function involved and then you have to identify the corresponding structure in the specification that performs that function.

Now, Block's argument, Your Honor,

is that the Court cannot construe those claim terms because the specification does not disclose enough structure to support those claim limitations. And of course the upshot of that argument, Your Honor, is the patents would then be invalid or the patent claims would be invalid. Simplification says no, the specification discloses more than enough structure under the law to support those claim limitations and Block cannot meet its clear and convincing burden of proof to show otherwise.

The fourth major dispute, Your Honor, focuses on the definition of electronic tax return which appears in the claims of the '052 patent. And that really centers on what exactly Block means by including the word completed in its proposed construction.

So those are the four major issues my presentation is going to deal with today. And I'm going to address the first two issues, the construction of automatic tax reporting and electronically at the same time because as the Court will see, the arguments and issues overlap.

With that, we'll move to the slides.

There are four global problems, Your Honor, with Block's proposed claim constructions of automatic tax reporting and electronically. The first problem, Your Honor, is that their definition of automatic reads the term comprising out of the claims.

As the Court is aware, comprising is a standard term of art in the patent world as a transitional term between the preamble and the body of the claim. All of these claims are written with the term comprising in it, but Block's construction of fully automated would eliminate comprising, it would render it a nullity. And they never adequately acknowledge and address that problem.

The second global problem with Block's proposed construction is that they ignore the difference between fully automated and automatic. Those claims have different claim meaning both to individuals in ordinary life. They have different meanings to a person of ordinary skill in the art and as you'll see,

they have different meanings to the Federal Circuit.

The third problem is the Block misuses the record of oral argument before the Board of Patent Appeals. For its construction of automatic and electronically, Your Honor, that is Block's case. It takes that transcript which was a thirty-five-page transcript, roughly forty-five minutes of oral argument where Simplification's counsel is sitting across the table from three administrative patent judges being peppered with questions, comes from three years of examination.

As I highlighted in the introduction, they take some of those statements out of context. And it turns out, Your Honor, that transcript read as a whole in light of the whole record as it must be is a slender read and it cannot bear the weight that Block gives it.

The fourth and final global problem of Block's construction is that they radically depart from the plain meaning of the terms. Automatic is not fully automated. Electronically is not automatic. And that

departure, Your Honor, is unjustified because there is not record support to overcome, sufficient to overcome the heavy presumption in favor of plain meaning.

Next slide, please.

To comprising point, Your Honor, first. All of the claims of the patents include the word comprising. And comprising has a clear and well-established legal effect. It means essentially including but not limited to. In other words, at least the following limitations must be performed, but there are perhaps more, other limitations are also possible. And the presence of other steps don't take the process outside the scope of the claim.

The use of comprising in the preamble of these claims after automatic tax return -- or automatic tax reporting, pardon me, expressly allows for additional intervening steps that are not recited and we see the Georgia-Pacific case for that and others in our briefs.

Of course, then, as I said, this allows for additional steps which even if --

even though all of the recited steps, and there may be a misunderstanding between Block and Simplification here, Your Honor, because as we have said in our briefs and as Dr. Sartori said to the patent office, if you recited steps in the claims of the '052 patent with automatic in them, it must be performed automatically. We acknowledge that.

But the presence of the word comprising means there can be other steps which may or may not be automatic. It allows for the presence of some manual data entry. It allows you to circle back around in the process, get one piece of tax data, your W-2 data, for example, from the IRS and maybe you have to go contact the bank to get a 1099 form for dividends or your mortgage broker to get your 1098, you can go back and circle around and pull that information down and that's all within the steps of the process.

And also if there is in the course of that some manual data entry, perhaps for example your mortgage broker or your charities aren't tied up to that program, they don't make

it available electronically for downloading, you do some manual data entry, the presence of those manual steps along with the electronic and automatically performed steps do not by them -- do not take that process outside the scope of the claims. And that's because of the presence of the word comprising.

The Federal Circuit recognizes this issue, Your Honor, in a case, and they discuss this in a case that Simplification actually cited to the Board of Patent Appeals at the hearing that we're talking about. Here is a quote from that case, this is CollegeNet versus ApplyYourself, Inc. While Claim 1 does not expressly provide for human intervention, the use of comprising suggests that additional unrecited elements are not excluded. Such elements could include human actions to expressly initiate the automatic storing or inserting or to interrupt some functions.

I'll leave the detailed analysis of that case to our briefs, Your Honor, but it's important to note that the Federal Circuit in CollegeNet rejected a proposed claim

construction for automatically that was put forward by the defendant. It's very similar to Block's proposed fully automated construction in that it would have precluded any manual intervention at any point in the process.

And the Federal Circuit said no, that is not the plain meaning of automatic and also these are comprising claims.

At the oral hearing, Simplification's counsel also explained the effect of comprising to the patent judges. Judge Moore said, "So you read these claims as excluding all manual data entries?"

Mr. Sartori responds, "No, it doesn't for the fact that it is comprising, so it's open-ended. So you could perhaps enter other information automatically."

And I have an SIC there, Your Honor, because as can happen sometimes in oral argument because he must have misspoken because that sentence only makes sense if instead of automatically it is manually. You can see that even more clearly when you consider what he said next. Next slide. When he goes on to further

explain.

For example, let's say you gave some donations to Purple Heart last year in 2006. And Purple Heart, you know, isn't set up to do this electronic transmission. You would need to type up and enter your donations to go on your scheduled itemized deductions. That would be within the software, within the scope of the claim because it's comprising, but that would not actually meet the elements of the claims.

So Simplification's counsel highlighted here exactly the point that I made to the Court, that manual entry of Purple Heart charitable contribution by itself doesn't meet the scope of the claims, it wouldn't, for example, infringe by itself but the presence of that manual entry doesn't take that tax return, that process outside the scope of the claims.

Next slide, please.

Moving on to the second point, Your Honor, Block's proposed constructions ignore the difference between fully automated and automatic. First, of course, there is the

core point that the language of the claims define the invention. And these claims recite automatic tax reporting, not fully automated tax reporting.

Now, it's certainly true as Mr. Stanley is going to point out to you that the term fully automated appears in the patent, it appears in the title, it appears in the background section. It's mentioned a few times. But the claims state automatic and that we submit that is a conscious choice because fully automated is not automatic, unless they have different plain meanings.

That is underscored by how Block chooses to distinguish the terms and also underscored by examples from real life. Automatic teller machines. Automatic dishwasher. An autopilot on airplane. All of those are examples of devices and processes where there is manual intervention both to initiate it and throughout, it can respond with prompts, you can interrupt the process.

When you're dealing with your automatic teller machine, you're entering your

password, you're responding to prompts, what do I want, here, there, give me my balance, give me my checking, give me my money. So you're manually intervening throughout, but at the same time everyone understands that is still an automatic machine, a processing going on there automatic even though it is not fully automated.

And the dishwasher analogy, Your Honor, that is contained in the briefs, and I'll shorten that up for you to make a very basic point, that if you have a method claim for a method of automatically cleaning dishes after a dinner party, comprising, and you have to use the automatic dishwasher, you put in the dishes you wash them, et cetera, if you wash the dishes in an automatic dishwasher and you put those dishes in the sink but you have some wine glasses, they're fragile, you don't put them in the automatic dishwasher, you wash those in the sink by hand and put them away.

You may have a frying pan that's crusted all over and you need to leave that soak overnight. The fact that you wash the frying pan and the wine glasses by hand does not mean

that you did not clean the other dishes automatically. And the presence of that manual washing of the wine glasses does not remove your clean up process from the scope of the comprising claim. That's a core point.

The next slide, please. The Federal Circuit agrees, Your Honor, and they have interpreted automatically to mean, "Once initiated, the function is performed by a man, without the need for manually performing the function."

And as you'll see, Your Honor, that parallel, that's almost exactly the proposed construction of automatic Simplification is offering in this case. And, again, that is the CollegeNet case which was cited to the board.

Next slide, please. The third point, Your Honor, that is the board transcript does not truly support Block's position. Block's arguments for automatic tax reporting and for electronically ignore what I'll call the inherent imprecision of oral argument. By that I mean, Your Honor not that any word is

necessarily imprecise, but it's a process.

People when you're speaking to each other, the judge and the counsel, there may be a question and answer, you're trying to understand each other. When someone is talking, you don't necessarily recite the full preamble in all the context of your statement the way you might do if you're an attorney crafting your brief, it's just a different process and sometimes in the course of oral argument people can get a little lost, get a little confused and it's hard to gauge the tenor of an oral record by the polled record, that's why it's important to read statements taken from an oral argument in context, in the context of the full hearing and to read that full hearing transcript in the context of the record as a whole.

And Block's cites in support of their position, Your Honor, are either taken out of context with regarding to electronically or clarified or countered elsewhere in the transcript.

The next side, please. The first point, Your Honor, is that every passage Block

cites about electronically refers to Claims 1 and 10 of the '787 patent, and in particular it refers to two limitations of those claims, connecting electronically and collecting electronically.

In those statements Simplification wasn't purporting to define electronically by itself and that's clear from a reading of the transcript as a whole. And even in its briefing, Your Honor, Block admits this context.

Often in their brief they'll put in the brackets referring to Claims 1 and 10 of the '787 patent and sometimes it's expressed in the statements and yet they ignore that context.

I'm going to give you a couple of examples here now and I'm sure Mr. Stanley is going to show you a number of other cites from the transcript in his presentation.

Let's look at this one which comes from page 29 of the oral hearing and Block highlights this passage so much, they cited it two or three times in their brief. Here is part of it, in the '787 we have two independent Claims 1 and 10 which do not recite automatic.

We're focusing on Claims 1 and 10. And there are two reasons that I said previously that the Beamer article does not teach it, those claims. One is they're connecting electronically. And yes, we are saying electronically means that there's no manual input. You have to -- we're saying you need to read it in light of the specification.

Here is specific reference to the connecting electronically limitation in 1 and 10 of the '787 patent. Next slide, please.

Then going on on that page, Judge Lee says, Yeah, but why does that exclude any kind of manual input? I mean that's the crux of the issue. Yes, for Claims 1 and 10 of the '787 patent. Because, Your Honor, that was the issue, these are the only two claims in the patent that did not -- in the two patents that did not have the word automatic in them. The only two independent claims.

And the issue that Simplification was going back and forth with the patent judges on were okay, we understand what you're saying about automatic, but in the absence of

automatic, how do these claims survive the prior art? And Simplification's response was that the connecting electronically and the collecting electronically steps must be performed automatically. It says you just say it does, but I don't get it. In the context of the step which refers to that recitation of collecting electronically refers to step 12 of the patent. Again, Claims 1 and 10 of the '787 patent, collecting electronically.

Next slide.

Now, Block argues that there is no -- in its briefs that there is no reason to limit the scope of these statements to Claims 1 and 10 of the '787 patent, but as I think I've already given you heads up, Your Honor, there are plenty of good reasons to do so. These are the only independent claims that do not include the term automatic, therefore, the focus of the discussion was how Claims 1 and 10 survived the prior art in the absence of automatic.

They do not represent, therefore, a clear and unambiguous disavowal of the plain meaning of the term electronically itself which

is what is required in the law to move beyond the plain meaning based on the prosecution history. And it certainly doesn't represent a clear and unambiguous disavowal of the plain meaning of electronically throughout all the claims of both patents.

Next slide, please.

Moving on to the automatic issue, Your Honor, for automatic tax reporting. Block's -- the passages Block cites about automatic are clarified or countered by other passages in that same hearing record showing that automatic is given its plain meaning.

Here is a quote from page 14 of that transcript. And automatic is not defined anywhere in the specification, so it must be given its ordinary meaning per the Phillips case.

Next slide, please.

It's also useful to understand, Your Honor, and you can see this from the transcript early on from that hearing, Simplification submitted about eight dictionary definitions of automatic and those dictionary

definitions are all basically consistent and we presented a number of them in our briefs in support of our proposed claim construction, but the very fact that Simplification submitted eight dictionary definitions shows that they weren't trying to present any one special or unusual definition of automatic, they were just trying to show what the plain meaning of the term is.

And Simplification also cited CollegeNet's definition of automatically as well. And we have discussed already, one initiated the function is performed by a machine without the need for the function to be performed manually. You see, that definition and the dictionary definitions and Simplification's proposed construction ties the automatically, draws the line at the beginning of each function. Once you initiate the function, that step must be performed automatically.

Not some kind of -- they don't draw the line anywhere else.

Next slide, please.

Therefore, Your Honor, there is -- the transcript of the record of the board hearing read as a whole shows there is no clear and unambiguous disavowal of the claim scope or of the plain meanings of the claim except as noted, there is no clear and unambiguous disavowal of automatic, there is no clear and unambiguous disavowal of the term electronically by itself and certainly not of the term comprising.

And Block, Your Honor, in their briefs, they acknowledge that there are inconsistencies in this transcript as they must. And at footnote six of their opening brief, Block says yes, there are inconsistencies, but it argues that the statements it cites about automatically and electronically nullify the statements about the comprising and the Purple Heart example.

Well, Your Honor, that's just not so. First of all, we submit you can minimize the inconsistency by interpreting those passages as Simplification urges by limiting the arguments about electronically to Claims 1 and

10 of the '787 patent, two of those claim limitations, and by understanding that by talking about automatic, Simplification meant the plain meaning of automatic, not fully automated.

But even if Block's interpretation of those passages is correct, Your Honor, and one set does nullify the other set, then what you have got is a wash, you have an ambiguous transcript that is not helpful for claim interpretation because the law is clear that an ambiguous prosecution history cannot limit the claims, it doesn't provide a basis to depart from the plain meaning of claim language.

And for that we rely on the Athletic Alternatives case and the Inverness Medical cited in our briefs.

In sum, Your Honor, this board hearing transcript is a prime example of the reason behind the caution the Federal Circuit issued about the use of the prosecution history in the Phillips case. And what the Federal Circuit said sitting on en banc, Because the prosecution history represents an ongoing

negotiation between the PTO and the applicant, rather than the final product of the negotiation, which is the specification of the patent itself, it often lacks the clarity of the specification and thus is less useful for claim construction purposes.

And here, Your Honor, we're dealing with a situation where at best, the best case scenario for Block is a situation where this hearing transcript in the reexamination history is ambiguous, it's a nullity, it's a wash. Certainly interpreting those passages as Block would have you do, certainly the transcript lacks clarity and therefore provides no basis to depart from the plain meaning of the claims.

The fourth key point, Your Honor, is that Block's proposed construction radically departs from the plain meaning of the claim terms. Automatic is not fully automated. Electronically is not automatic. And Block's construction of electronically would render automatic superfluous. And we'll go on to show you why here.

Next slide. It's also important to note that Block's proposed constructions ignore the specification of the patents. Block's constructions are inconsistent with the disclosure in the specification which as we'll show you distinguishes between automatic and fully automated in terms of the examples they disclose in the specification, and the treatment of electronically throughout the patent. And as you know, the law is clear that the specification is often regarded as the best guide for claim construction.

Next slide. The specification never expressly defines automatic, therefore under the Phillips' case there is a heavy presumption that you employ the plain meaning of the term. However, the specification makes it clear that automatic tax reporting, that preamble term, need not be fully automated. They're not the same things.

First of all, Your Honor, the patents acknowledge that not all tax data will be available electronically. We have got cites for that, for those two passages. And what it

says there, Your Honor, is it talks about -- it mentions, it says substantially all tax data is available electronically. And it says later on that it's possible to eliminate virtually all copies of intermediate paper copies. There is nothing there that says all the tax data will or must be available electronically.

Secondly, Your Honor, and I think even more significantly, the specification expressly notes that the processing and preparing steps can be implemented using current technology, the technology that was available in 1997. And, in fact, they cull out a specific example of that commercially available tax software, and the specification it calls out TurboTax as an example of the commercially available tax software that could implement the processing and preparing steps of the invention.

And in Block's brief, opening brief, they concede that quote a standard tax program like TurboTax can perform the processing electronically step.

Well, let's take a look at that, Your Honor. One thing that is absolutely clear,

and this is shown, it's both a matter of public record and a matter of fact, but it's shown from the screen shots from the 1997 version of TurboTax that we attached to your belief, that in 1997 TurboTax was an automatic program, it acted automatically, but it was not fully automated. TurboTax walked users through the preparation process giving them the option of using the easy step process or forms method. I'll show you now if I can figure out how to switch over to the Elmo, I'll try to make this a little more legible for the Court.

This is a copy of one of the screen shots that we attached to our brief and I'll try to zoom in so we can read it. This is a screen shot from early in the program where they are describing to the taxpayer how it's going to work. And you see up there, Your Honor, it says easy step interview approach. Easy step interview guides you through your tax return. It asks you questions about your tax situation, enters your data on the proper tax forms, and offers relevant tax advice and suggestions.

But here is an important point, Your Honor. It then says your calculations are automatically updated as you add or change data. So you see behind the scenes the computer program is automatically processing that data and automatically working in response to your prompt and responds to your information, but there is intervention to initiate each processing step.

Under the forms method approach, Your Honor, again it says basically you're on your own, but it still has the taxpayer move from one form to -- one tax form to the other, entering information in the fields that apply to their tax situation.

Again, both of those steps require considerable manual intervention. And I'll try to get better with the Elmo for the next one.

So therefore -- next slide, please -- Block's fully automated construction would exclude an example of the preferred embodiment set forth in the specification allowing for the use of 1997 technology similar to TurboTax for processing the said tax data and for preparing

electronically the tax return, the processing and preparing steps.

And as you know, Your Honor, the law is clear that a claim construction that excludes the preferred embodiment quote is rarely if ever correct and requires highly persuasive evidentiary support. And they cite the Vitronics case for that one.

Next slide, please. Moving on to electronically. There is no special meaning given to the term electronically in the patent specification. Therefore, of course, there is a presumption towards plain meaning. And, in fact, the specification taken as a whole makes it clear that electronic and electronically refer to states, states of being.

And we spent two pages laying out those quotes in our opening brief and I'm not going to try to do it here for Your Honor, but we believe that is very clear from the specification. And, in fact, Block's proposed construction of electronic link and automatically is consistent with not only with the specification, but with the parties' agreed

upon claim constructions of the terms electronic link and electronic intermediary which the parties agree and the construction is made clear are simply electronic devices.

Next slide. Simplification's constructions of automatic tax reporting and electronically by contrast comport with the plain meaning of the patents in the prosecution history. They acknowledge the presence of the word comprising in the claims, recognize the choice of the claim language automatic, and they're consistent with the hearing transcript taken as a whole.

Next slide. Said specification does not define automatic. The plain meaning of automatic we submit is via a process in which one or more functions once initiated are completed without manual intervention. And the Court will recognize that from the CollegeNet case.

Next slide. We also note that the plain meaning construction of automatic matches dictionary definitions which we submitted in our brief and we note that Block so far has

submitted none to the contrary, it mirrors the definition in the CollegeNet case which was presented to the patent office. And it gives the term comprising its full effect because it draws the automatic line at each step of the process. Each of the recited steps. Pardon me, let me clarify that. At each of the recited steps once initiated must proceed automatically. It still allows for the presence of other steps which may or may not be automatic.

Next slide. Therefore, Your Honor, Simplification's proposed construction of automatic tax reporting is determining and/or reporting tax liability, or satisfying tax reporting obligations via a process in which one or more functions, once initiated, are completed without manual intervention.

Next slide. Back to electronically. We submit the plain meaning of electronically is by way of devices, circuits or systems utilizing electronic devices.

Next slide. This plain meaning construction of electronically is consistent with the specification in the way it treats

electronically. It matches the dictionary definition, again, that we have submitted and it gives all of the claim language its full effect. It does not render automatic in the '052 patent claims superfluous and it's consistent with those agreed upon claim constructions for other terms that I pointed out to you.

At this point, Your Honor, we'll move on to the third core dispute between the parties, the construction of the means plus function limitation.

Next slide, please. Next slide. To construe a means plus function limitation, Your Honor, the Court must first define the function of that claim limitation, and then identify the corresponding structure in the specification to perform that function.

The disputes between the parties over what exact function applies to these different limitations really hinges, Your Honor, on the construction of the term electronically, because all of these means plus function limitations have electronically in them. Means for connecting electronically, connecting

electronically, preparing electronically, filing electronically, so you can see the functional issues hinge on the construction of electronically. So we're not going to go back over that, we'll rely on our briefs and to my prior argument.

However, the structural issues, that's what we need to focus on, because Block argues that the Court cannot construe the means plus function limitation because there is not sufficient structure disclosed in the specification. And the upshot of that is the patent claims would be invalid.

However, these claims are presumed valid under 35 USC, and, therefore, Block has the burden of proof on this issue by clear and convincing evidence if it is arguing to the Court that there is insufficient structure in the patents to support these claim limitations, they must show it by clear and convincing evidence. And that's the Budde versus Harley-Davidson case, Federal Circuit 2001.

Next slide, please.

Specifically, the means for

collecting electronically, I'll skim over this corresponding structure that's identified in our brief. The corresponding structure identified in the specification includes a data processing system with a general purpose computer program with code segments to operate that computer causing it to connect electronically to establish a physical or logical coupling via an electronic link.

And the specification also lists examples of electronic links, including a modem, a computer readable medium and an electronic data network.

This structure, Your Honor, is sufficient to support the claimed limitation, means for connecting electronically.

Next slide. It's also important to recognize, Your Honor, that structures and means for connecting two devices electronically were well-known in 1997. That's something you could almost take judicial notice of. The electronic data networks like the internet, there were modems, there were automatic teller machines that were networked. There is really

no dispute, people of ordinary skill in the art understood how to connect devices electronically eleven years ago.

And the law is also clear, Your Honor, this is an important point, because a detailed description of structure is unnecessary when the structure to perform the claimed function is well-known in the prior art, or well-known in the art. And that's the S3 versus nVidia case. And I'm going to read the quote actually from that case, Your Honor. The law is clear, the patent document need not include subject matter that is known in the field of the invention and is in the prior art. The patents are written for persons experienced in the field of the invention, told otherwise would require every patent document to include a technical treatis beyond the skilled reader. And that's not the law, Your Honor.

Next slide, please. However, to address a point that Block first raised in its opposition brief, Your Honor, Block raises in its opposition brief the idea that the means for connecting electronically and collecting

electronically do not satisfy the requirements under the Aristocrat Technologies and the Harris case because it's a computer implemented invention using software and they don't set forth an algorithm.

Well, Your Honor, to assess that argument it's critical to understand what an algorithm is. It's not source code. You don't have to write out your whole computer program and put it in a patent. Instead, under the law an algorithm is simply a step wise description of the process you would use to perform that function. And it doesn't have to be every single little step, but it has to be a sufficient description of a step wise process to show a person of ordinary skill in the art how you intend to perform -- it gives structure for how you're supposed to perform the claimed function. That's why, for example, block diagrams with arrows and circles and boxes can be sufficient structure to support a means plus function claim.

The means for connecting electronically is supported by sufficient

structure, and because it discloses steps for connecting electronically. And I will point Your Honor to those steps in the patent. It begins in column four of the patent and goes down to column five lines 65 and it's a discussion of steps 11 and 12.

Step 12, let's get this over to the Elmo here. And this is towards the bottom of column five, Your Honor, discussing step 12, which I believe the parties agree includes both the connecting electronically and collecting electronically parts of the process.

In step 12, the electronic intermediary electronically collects tax data from the tax data providers using electronic links. And it goes on to describe how that happens.

At the bottom of the paragraph it says Figure 2 is illustrative and the electronic intermediary 21 can connect electronically with and collect tax data electronically from, see both step connecting and collecting, from other tax data providers as discussed above in step 11.

So let's see what they say about that in step 11. It refers back, and by doing this, Your Honor, it specifically refers to and identifies the process of step 11 as being a piece of the algorithm you use to accomplish step 12, connecting and collecting electronically.

And, Your Honor, starting -- let me go a little higher up. In step 11 this is from column four of the patent, in step 11 the taxpayer 20 provides the electronic intermediary 21 with information on tax data providers.

Going down the column a bit. The information provided by the taxpayer to the electronic intermediary may include identification, that's personal identifying information such as a Social Security number.

Also alternatively, the taxpayer could specifically identify the tax data providers and could include information on how to contact tax data providers electronically.

Additionally, the taxpayer can provide the electronic intermediary with authorization to contact and receive information

from the tax data providers. That's the link to step 12 there, connecting and collecting.

In sum, Your Honor, let's look and see what's been disclosed here. The taxpayer provides identifying information to the electronic intermediary, and that can be an identifying information about themselves, identification of the tax data providers, account numbers, et cetera.

The electronic intermediary takes that information, reaches out and contacts the tax data provider and connects with the tax data provider. And those, Your Honor, are steps, the steps disclosed in the patent, the algorithm for performing the connecting electronically step, and that provides under the law and under the standards of Aristocrat and Harris, the algorithm that's required, the structure that's required to support the means plus function limitation.

And that's particularly true because you have to consider that in the context of all the physical structures disclosed and the fact that this was well-known in the art how to

do these things.

Means for collecting electronically. Again, Your Honor, we have a similar structure here, data processing system, general purpose computer, program of code segments, causing it to gather tax data by an electronic link. We're back up at step 12, and the specification lists examples of electronic links including a modem, a computer readable medium and an electronic data network.

Next slide. And that, Your Honor, is sufficient structure to support the means for collecting electronically limitation of the patents. Particularly when you consider that structures and means for collecting data electronically were well-known in 1997, and an example that resonates in the legal community, Your Honor, is Westlaw and Lexis, these are data services that were available back in 1997, and you reach out from your computer, your electronic intermediary to a main server, you look for data, you connect with them, you look for data, you grab data and download cases and retrieve them back. This gives a legal point

that a detail description of structure is not necessary when the structure to perform that function is well-known in the art.

Next slide. Similarly, Your Honor, as noted before and given a very similar to what I have shown you already on the Elmo with columns four and five of the patent, the specification discloses steps for collecting electronically. And that provides in any algorithm that Block requires be required under Aristocrat and Harris.

In this case, for this step it's the taxpayer provides identifying information as I have discussed, the electronic intermediary contacts and connects with the tax data provider, the electronic intermediary collects tax data from the tax data provider and pulls it back. That's the step wise process, a step wise description of a process used to perform the claimed function. And that tells a person of skill in the art what they're supposed to do. That provides the structure required to support this claim limitation.

Next slide, please. Moving on to

means for processing electronically. Again, we have got the corresponding structure identified there, data processing system with a computer program with code segments causing it to perform such systematic operations to do the processing.

Importantly here, Your Honor, the patent specifically discloses that the processing step could be performed by 1997 tax preparation software similar to TurboTax. We have got a cite for that.

So the specification has culled out not only that commercially available products can do this processing, but it's identified one, TurboTax.

Next slide. This is significant, Your Honor, because a specific reference to a commercially available product as an example of corresponding structure is sufficient to overcome a claim of indefiniteness. And that's black letter law. And we cite Budde versus Harley-Davidson for that, which in that case Your Honor, one of the means plus function limitations involved was a sensing means. It was a case involving fuel injectors for

motorcycle engines. And it was a sensing means.

And the patent specification referred to as commercially available vacuum sensor. They said that's fine, because that tells a person of ordinary skill in the art what you use to perform that function.

Here this patent is identified commercially available tax preparation software similar to TurboTax, so one of skill in the art knows what to look for.

And also the Radio Systems case, Your Honor, in which the specification noted that circuitry for starting and stopping signals was commercially available. And that was sufficient disclosure to support a means plus function limitation for that.

Moving on to preparing electronically, Your Honor, means for preparing electronically, the argument there is essentially the same. You have a data processing system with a computer and code segments to operate it which prepares an electronic tax return. But again, the patent discloses the preparing step could be performed

by 1997 tax preparation software similar to TurboTax. And again, we point to the Budde case and the Radio Systems case. That specific reference to commercially available products defeats Block's argument that there is insufficient structure to support that step.

The last means plus function limitation, same slide, is means for filing electronically. There, Your Honor, we have corresponding structure of course being the general purpose computer program with code segments to operate it causing it to submit an electronic tax return to a taxing authority through an electronic link.

We have talked about examples of the electronic link. And here the patent also discloses, Your Honor, that electronic filing with the IRS was available in 1997. And also I'll point out it also identifies commercially available tax preparation software such as TurboTax which could, in fact, perform the type of E-filing.

The next slide. Your Honor, the specific reference, and we'll go back to the

Budde case and Radio Systems case and say look, the specific reference to the fact the IRS E-filing tax system was available on the market, because it wasn't commercially available because the IRS wasn't charging people, people weren't buying it, but they were using it and it was out there. And the patent points to it as an example of how E-filing was done. And that is sufficient structure to defeat a claim of indefiniteness because it tells a person of ordinary art what structure gets the job done.

Next slide please. The next and final major contention between the parties, Your Honor, is the electronic tax return. Next slide.

Simplification's proposed construction of electronic tax return, Your Honor, is a statement of tax liability or tax related information in a form prescribed by a taxing authority in an electronic format.

Block's proposed construction is a completed computerized tax return ready for submission to a governmental taxing agency.

There are a couple of issues with

that, Your Honor. First of all, it is not clear to us exactly what Blocks means by a computer, secondly when they say completed, that raises a lot of questions, Your Honor. What do they mean by completed? Do they mean it has to be signed? Do they mean it needs an electronic signature? Do they need mean there can be no manual intervention at the point of filing because that is certainly what their proposed constructions of preparing and filing electronically suggest. And those are dealt with in the briefs. But if that's the issue, if that's what Block means by completed, then Block is wrong.

Next slide. An electronic tax return because the specification expressly notes that you could prepare an electronic tax return using circa 1997 tax preparation software. And back in 1997, Your Honor, and you can see this in the screen shots that we attached to our brief, commercially available tax preparation software like TurboTax had the capacity to electronically file with the IRS. But when people were E-filing federal tax returns back then, the IRS didn't accept an electronic

signature. The taxpayer had to after you hit the button to send your tax return in, Your Honor, taxpayers had to print out an IRS form, 8453-OL, you to had fill out that form putting in a control number that you got back from the Internal Revenue Service, you had to sign that form and submit it to the IRS and the IRS did not consider that tax form complete until they received the signed form.

So in sum, Simplification says the correct construction of the claim term electronic tax return cannot require preparation or completion beyond what could be done in 1997.

Back to the beginning, please. In conclusion, Your Honor, Block's proposed claim constructions must fail for a number of reasons that I have pointed out to you. Particularly, Your Honor, they must fail because the transcript of the hearing before the Board of Patent Appeals simply does not show what Block says it shows.

Those passages do not mean what Block says they mean. As I said, they're either taken out of context with regard to

electronically or they're countered by others which show that Simplification was just arguing for the plain meaning of automatic, not for fully automated.

Secondly, Your Honor, the record as a whole supports Simplification's proposed constructions. By that I mean the hearing transcript read as a whole, the hearing transcript read in light of the re-examination history and the file history and the specification and the plain language of the patent.

Third, as regards to a means plus function limitation, there is sufficient structure disclosed in the specification to support those limitations. There are algorithms. There are commercially available products disclosed. And Block cannot meet its clear and convincing burden of proof to show otherwise.

And finally, the electronic tax return, that construction cannot require more than what was possible to do in 1997.

Thank you very much for your time,

Your Honor. At this point I'll reserve my remaining time for any rebuttal.

THE COURT: Thank you. We'll have a short recess before we have you present.

(A brief recess was taken.)

THE COURT: All right. Be seated. Ready to proceed?

MR. STANDLEY: Your Honor, my name is Jeff Standley. I'm here on behalf of the defendants today. Along with me, Mark Engle and Karen Pascale. It's our pleasure to be here.

Your Honor, we have a slide presentation we would like to present and if it meets with your approval, I would like to give a copy to the Court and to opposing counsel.

THE COURT: Yes. Thank you.

MR. STANDLEY: It's only thick, Your Honor, because we have -- we put the exhibits in the back. The presentation I assure you is not that long.

THE COURT: All right.

MR. STANDLEY: All right. Your Honor, we'll begin with our first slide. Your Honor, we thought that it would benefit the

Court to understand a little bit about the evolution of tax preparation and how it has come along in past years.

Originally tax returns were completed by hand. We're all familiar with this, sitting around the kitchen table filling these things out.

Then the process progressed somewhat. And you had tax preparation companies like H & R Block that assisted people with their tax returns using a computer.

The next one is, the next progression was tax returns prepared on your home computer. The data was still manually entered with your own fingertips through the keyboard and the computer would perform the calculations and generate a completed return ready for submission to the IRS.

The next step in the evolution was tax returns were prepared on a computer at home, data was manually entered, the computer performed the calculations and generated a completed return. Instead of mailing, the tax return was then capable of being transmitted

online to the IRS through something known as electronic filing.

More recently, we have been able to import data from banks, companies such as that into personal financial software which could be imported into the tax return software to generate a return.

And this gets into the so-called Beamer references, which the patent office relied upon in the reexamination to reject the claims of the Simplification patents.

I will say that the Beamer references did involve some manual pointing and clicking, so there was some manual work that had to be done with those.

The patent itself, Your Honor, refers to increasing levels of automation in tax preparation. At column one it refers to an increasing amount of data necessary to compute income tax liability and that data was increasingly becoming available electronically.

In column one, lines 39 to 49, it refers to how tax return preparation had become increasingly automated. Mentioned the TurboTax

program which we've heard about today.

Also in column one at lines 50 to 63, there are a few legal interpretational issues with regard to determining tax liability for most taxpayers. In other words, I think what this is driving at is many taxpayers in the country do not have complex tax returns.

Finally, taxing authorities such as the IRS have begun accepting electronic returns and that's also mentioned in column one of the patent.

It's very important in the context of this case that we have an appreciation for what was this invention supposed to do. And I think that's highlighted in several places, five or six to be exact, in both patents, each patent. It's highlighted by the description that is fully automated, and right there in column two are a couple of instances out of the patent where it refers to this invention being fully automated, talking about how historically fully automated tax prep was not available.

It is also interesting that the title of the patent is fully automated. There

is several references to being fully automated.

I think what is probably more important is that aside from the manual entry of initiating the software that's described in step 11, which we're going to get into in the patent in a few moments, aside from that initiation, the initial step, the patent is silent as to any other manual initiation going on. I think that's another indication, in other words, what isn't said is another indication of the fact that this is a fully automated system.

In column three in the summary of the invention, another reference to what the invention is. It's the object and advantages of the present invention are achieved by a method, an apparatus, and an article of manufacture for fully-automated reporting of tax refund.

And then here is a figure taken out of the patent, and this is Figure 1, and it just goes through the procedures that are in this patent.

Before I get too deep into this, Your Honor, I want to point out that if you take a look at these patents, I know you have, there

are two figures. I don't know about you, but I refer to these figures as stick figures. There is no meat on these bones. They're a skeleton. You can see the general idea of what the inventor had in mind, but you don't see any substance there.

And this is going to be a continuing problem as we get further into -- especially into the means plus function claims. But this is about as detailed as it gets.

What troubles Block about this sort of a drawing is that Block above probably all others in the world knows the complexities of what is involved in tax prep and collecting of tax data. And it's an extremely complicated process. And we truly question whether the inventor in this situation grasp that.

But anyway, during the initiation procedure, step 11 is the only step that's mentioned in the patent where the user manually inputs information.. And just very quickly, what is that information they're manually inputting? This is setup information, Your Honor. This is your name, your address, maybe where you bank.

Maybe the name of your employer, where we can get your W-2. Maybe the account number of the bank or something like that where this data could be automatically obtained.

And then it goes through the various steps. Step 12, the electronic intermediary is described as data processing system comprising a general purpose computer and a computer program. Electronically collects the tax data from each tax data provider that has tax data pertaining to the taxpayer using the electronic links.

It may sound apparent from what we're talking about. What we're highlighting there is there isn't any mention from steps 12 down to step 15, there is no mention in this patent of anything being done manually. Once you get the initiation setup started, from there you go out and you collect the data automatically, it's imported automatically.

And here is the other stick figure or drawing that's in the patent, and links 32, 33, 34, 35, 36 and 37 shown in those drawings are all culled out in the patent as electronic

links.

There is no detail of how those electronic links are set up. You're just told that they're there. And then you have these blocks out on each end where the person is to get -- excuse me, the electronic intermediary is to get the data.

With the electronic collection of tax data in step 12, this is taken right out of the patent, column six, lines 23 to 27, the invention I'm quoting eliminates the current requirement that a taxpayer manually collect the tax data, eliminates the current requirement that a taxpayer manually enter such tax data onto a tax return or into a computer. I think eliminates is a strong word.

Step 13. The electronic intermediary processes the tax data obtained electronically from the tax data providers in step 12. The information processed in step 13 is obtained in the steps 11 and 12, this is referred to in column six of the patent.

And then finally step 14, the electronic intermediary, perhaps the electronic

tax returns using the processed tax data from step 13. The reason we highlighted processed tax data is we think it's clear that processed tax data comes from the prior step which is again an automatic fully electronic step.

In the first patent, you have the fact that you can file the electronic tax return in step 15, the second patent doesn't include that in the independent claims, the first patent does.

Read in light of specification, the invention is a fully automated system. The title of the parent patent recites fully automated. The summary of the invention says the invention is fully automated. None of the embodiments disclose any manual input from step 12 on through the process of the patent. And the prosecution history supports a fully automated invention.

The patent claims should not be construed one way in order to obtain their allowance and in a different way against accused infringers. And this is a case that I'm sure the Court is very familiar with, the Computer

Docking Station versus Dell case.

Your Honor, earlier today Mr. Curtin referred to the context of the oral hearing in Washington. And he said that Block had taken things out of context.

There are two things about the context that we want the Court to see. The first thing about the context is the entire structure of the patent being fully automated. It's all over this patent saying it's fully automated. In that context we haven't gotten it wrong, we haven't taken it -- but at that board hearing, the context was this, the reexamination authority at the patent office had stricken both patents, both patents were dead, they were gone.

The context of that hearing was Simplification was fighting for its life, its patent life. Had the board not seen it Simplification's way, these patents would be dead and invalid and not in existence today. That's the context of that board hearing and that's why we think that board hearing was so crucial.

There were some statements made up

at the beginning of the board hearing where you see this going on between the inventor, the inventor's attorney and the board, and as you see that negotiation heating up in the transcript, you start to get further toward the end and you see where the inventor made statements that through his attorney that he had to make in order to defeat the prior art and get this thing back into issuance and out of the way of the prior art.

So the history of the reexamination on April 8, 2003, Simplification sues Block for patent infringement of the '052 patent. On July 11, '03, Block requested reexamination of the '052 patent. In October of '03, the reexamination was granted on the '052 patent. And then in February of 2004, the continuation patent, that is the also the subject of this case, it issued at the patent office.

On February 24, 2004, Simplification sues Block on that continuation '787 patent. On March 15, 2004, Block requests a reexamination of the '787 patent. And in June

of 2004, the reexamination was granted, the request was granted on the '787 patent.

In June of '05, the examiner issues a final rejection for all asserted claims of the '052 patent. So the reexamination had wound its way through, it took some time, final rejection was issued.

In January of '06, the examiner issued a final rejection of all asserted claims of the continuation patent.

And the primary basis for the prior art rejections was the Beamer reference, which you'll hear more about here momentarily.

So in the Beamer reference, which by the way, Your Honor, predated the application by Simplification of some ten years, we've highlighted a section there out of the Beamer reference and I quote, one day in the not too distant future, Jan and Jim Smithwick will have their employers transmit their salaries electronically directly into their personal bank accounts. They will be able to download their bank records into their personal financial software. That program can -- it says lien -- I

think it meant then pass the information to a tax preparation program. Jan and Jim will then send the electronic version of their tax return to their accountant via modem and the accountant can electronically file the tax return with the IRS. All of this will be accomplished without the Smithwick's having to re-enter any data, without the use of a pocket calculator and without the necessity of any paper.

I think what's important here is this is ten year before Simplification's patent filing. And even when Simplification comes out with their filing ten years later, there is no meat on those bones. You still have just the skeleton figures, the Figure 1 and 2, not much more than you see right here in this Beamer reference.

Also in the Beamer reference, I quote, MoneyLine allows you to communicate directly with your bank's computer system. Many transactions can be directly fed by the bank's computer into Dollar & Sense accounts, capital D, capital S. This reduces the drudgery of retyping data, increases accuracy and gives

convenient access to bank information at any time, not just when the statement arrives. This is a powerful example of how easily information can be transferred between dissimilar computers, let alone dissimilar programs.

So with that background, the examiner in the reexamination proceeding said in an office action dated January 18, 2006, at page 15, and I quote, "The tax preparation software, e.g., MacInTax, can electronically connect to and download relevant financial information from a bank via a home accounting program, e.g., Dollars & Sense. This downloaded information is used to assist in completing one's tax return. Use of software executed by a computer to perform tax computations for preparing a tax return is indicative of electronic and automatic performance of these computations. In other words, a computer is an electronic device that automates such computations as opposed to performing the calculations completely manually by a human."

Simplification responded on November 30, 2005 at their appeal brief for the

'052 patent and on August 22, 2006, their appeal brief was filed for the '787 patent. On May 7, 2007, the oral hearing on both asserted patents was conducted before the Board of Patent Appeals and Interferences.

Your Honor, at this point, although I'm sure the Court is well aware, we think it's important for the record to put in a little bit of law on the issue of prosecution disclaimer. The Purdue Pharma versus Endo Pharms case, a patentee may limit the meaning of a claim term by making a clear and unmistakable disavowal of scope during the prosecution.

And then the Dell case we mentioned earlier. I quote, "A patentee could do so, for example, by clearly characterizing the invention in a way to try to overcome rejections based on prior art."

And then we have the Omega Engineering versus Raytek case. And I quote, "As a basic principle of claim interpretation, prosecution disclaimer promotes the public notice function of the intrinsic evidence and protects the public's reliance on definitive

statements made during prosecution."

So prosecution disclaimer does not depend on whether an applicant distinguishes their invention in multiple ways. A disavowal if clear and unambiguous can lie in a single distinction among many. And for that you can see the Andersen versus Fiber Composites.

Also in Norian versus Stryker, there is a quote, "We have not allowed patentees to assert that claims should be interpreted as if they had surrendered only what they had to."

In the Laitram versus Morehouse case, Moreover, the fact that the USPTO does not rely on the distinction does not erase an applicant's clear disavowal of the claim scope taken out of that case.

Simplification asserts that collecting electronically requires no manual input in its appeal briefs. This is a section taken out of their appeals brief where they're talking about the Beamer reference. And I quote. "To move the data from the text file into the locations on the MacInTax electronic tax form, Beamer teaches that the taxpayer must

manually select the data -- and they underline the words "manually select" -- continuing -- the data from the Dollars & Sense year-end financial report (which was converted into ASCII text by the MacInTax Converter) and manually point -- again, the "manually point" are in bold and underlined -- to where the data should be entered on the MacInTax electronic tax form.

Beamer -- excuse me, there is a reference to Beamer, and then it continues, all of this manual input, again, manual input is underlined, must be done by the taxpayer prior to the MacInTax software performing any tax computations for preparing a tax return.

Hence, Beamer fails to teach that tax data collected electronically is not manually entered onto the electronic tax return and into the taxpayer's computer. Thus, Beamer fails to teach "means for collecting electronically tax data from said tax data provider", and/or the method step of "collecting electronically tax data from said tax data from said tax data provider."

And that ends our quote from that

appeals brief.

So a representative claim taken out of the '787 patent is Claim 10 and you can see where we've highlighted connecting electronically in the first claim element. In the next claim element, go ahead, again, taking their comments made in the reply brief, they once again say that Beamer fails to teach or suggest collecting electronically tax data from the tax data provider.

I'm quoting from Simplification's '787 reply brief. "The automatic step of/means for collecting electronically tax data from said tax data provider."

And then down below it refers to, Beamer, however, teaches that manual input -- and once again, it's underlined -- manual input must be done by the taxpayer prior to the MacInTax software performing any tax computations for preparing a tax return, which is distinguishable from the automatic step recited in the claims.

So, therefore, collecting electronically, that step is automatic in our

view and must be performed without manual input. This was argued even as to Claims 1 and 10 of the '787 patent, claims that do not recite the term automatic anywhere.

At the oral hearing in distinguishing its invention over the prior art of record, Simplification made two key admissions. One, that electronically equals no manual input. And two, after step 11, if there is any manual input, it's not covered by the claims and it does not anticipate the claims.

Simplification specifically disclaimed any manual input for the term electronically at the hearing. Mr. Sartori was asked, or excuse me, commented, and I quote, "And there are two reasons that I said previously that the Beamer article does not teach it. One is they're connecting electronically. And yes, we are saying electronically means that there's no manual input. You have to -- we're saying you need to read it in light of the specification?

At another place, Simplification specifically disclaimed all manual input outside

of initiation. Mr. Sartori said at the hearing and I quote, "That is manual intervention. And that has to do with step 11, which is the manual step required to initiate it, to initiate the automatic process. That's taken from column 5, line 45, what you've been focusing on, sir, Your Honor. And that has to do with step 11, which is the manual stuff."

Judge Lee said, "I see. So you're allocating all of these manual input to the category of initiating the process."

Mr. Sartori, "Yes, yes."

Judge Lee, "If there's any manual input outside of initiation, then it's not covered by the claim."

Mr. Sartori, "It's not covered by the claim and it does not anticipate the claim."

So with all of this backdrop, we have a section taken out of the chart which is their Figure 1, Claim 11 -- excuse me, step 11 is the unclaimed manual initiation step and then you see steps 12, 13 and 14. Step 12 they're connecting electronically to a tax data provider. They're connecting electronically the

tax data from a tax data provider. In step 13 we're processing that tax data they provided. And then in step 14 they're preparing electronically an electronic tax return using the processed tax data.

And we've highlighted on the left there that's our addition in step 12, 13 and 14 that there is no manual input allowed, there is no manual input even discussed with respect to those steps in the patent.

Your Honor, we found a case, it's a relatively recent case which we think is directly on point here, this is Ormco, O-R-M-C-O, versus Align Tech, or Align Technologies. Similar kind of fact pattern in the sense that there was a lot of discussion in the patent about this software program being fully automatic. It was an orthodontics invention where an orthodontist would start this program, and it would provide the optimum finished positioning for the teeth of the person who the orthodontist was working on.

And the Court said in there, and I quote, From the beginning of the common

specification of the Ormco patents, it is clear that the inventor's primary basis for distinguishing their invention was its high level of automation and the design of custom orthodontic appliances as compared to the prior art.

Continuing in that same case, the Ormco case, the Court is quoted as saying we are mindful of the prosecution that we must not incorporate into the claims limitations only found in the specification.

We are not doing the here, nor did the district court. We are interpreting the claims in light of the specification. The situation here involves specifications that in all respects tell us what the claims mean buttressed by statements made during prosecution in order to overcome a rejection over prior art. Accordingly to attribute to the claims a meaning broader than any indicated in the patent and their prosecution history would be to ignore the totality of the facts of the case and exalt slogans over real meaning.

Simplification's arguments in our

view, Your Honor, you are unavailing. First, the clear disavowal in the prosecution history are not ambiguous and they weren't taken out of context.

Second the claim term comprising does not shield the patents from a clear disavowal of claim scope. I think this is an important point. Simplification keeps wanting to come back to the word comprising saying it's open ended. You know what, I agree with that. The problem is when you as the inventor, when you take that word and you squash it by telling the Court -- excuse me, telling the patent office, clear disavowal of claim scope, you can overpower the word comprising which is exactly what they did with their disavowals in the proceedings at the patent office.

Third, it makes no difference whether the board relied on the arguments or not, surrendered claim scope is still surrendered claim scope. Once surrendered, they can't recapture it. Frankly the term electronically cannot mean one thing in one claim step and another thing in another claim

step. It has to have the same meaning throughout.

Then we get to the means plus function claims and that we are arguing do not possess sufficient structure to meet the requirements of 112, paragraph 6 of the code. We think the Aristocrat case, very recent case out of the Federal Circuit decided just several weeks ago says, and I quote, the point of the requirement that the patentee disclose particular structure in the specification and that the scope of the patent claims be limited to that structure and its equivalents is to avoid pure functional claiming. Close quote.

For a computer implemented means plus function step, the Federal Circuit has repeatedly held there must be an algorithm. It must be disclosed to meet the requirements. Simplification failed to show and cannot show a single algorithm for carrying out the claimed functions in the specification. The limited structure cited by Simplification is not an algorithm.

Here is an example in step 14 of

Figure 1, means for preparing electronically is defined entirely by box 14 according to Simplification.

Well, in that little box with no meat on it, they're trying to say everything we need to know to satisfy 112, paragraph 6, we disagree with that.

You can see here is a representative claim, this is Claim 1 of the '787, the fourth element of that claim refers to the means for preparing electronically, an electronic tax return. If you look in the prior -- if you look in the prior element, means for processing electronically, and then the prior element to that, element two of that claim, Claim 1 of the '787, means for collecting electronically, and then the first point means for connecting electronically, these are all functional statements, and they have little if any structural support that we can find in the patent.

In Figure 2, they point to Box 21 of that figure, but it does not provide the needed algorithm. It's even less helpful than

Figure 1.

Here is the chart of the relative claim terms which I won't go through. We'll skip through this.

And, Your Honor, what I want to say with respect to the means plus function claims is to ask the Court to consider this. Why does the CAFC want an algorithm in the claims? Why is that important? And what must it talk about?

And as I was listening to Simplification's arguments earlier today, I thought of the following things that are not answered by their patents. And it's very frustrating that it's not in there anywhere.

Take, for example, means for connecting. And we see these statements that well, it could be a modem, it could be this, it could be that. Where is the algorithm or instructions for connecting to the tax data providers who are left to believe that this is just a piece of cake, that there is nothing complicated to it.

Here is some specific questions

that aren't answered by the patent. In what format do you connect? Are we all to believe that everyone in the world runs the same format? Of course they don't.

What network platform are you going to use? There are no instructions in this patent telling us what platform they are going to use to go out and get the data.

The tax data providers will be using their own internal network systems. If we go to your employer, if we go to your bank, they're going to have their own internal network systems. They're likely to be very different from the next business down the street and the next business down the street.

How does the system of Simplification's patents manage that problem? There is no algorithm given for how they're going to handle that problem. But it gets worse for them, and that's in the means for collecting. So somehow they've managed to connect to these desperate systems, and now they're getting a data stream that's coming down the pike. Where in this patent does it say

anything about how you collect that data? And here is some real world problems that they have that they haven't solved and it's not in the patent anywhere.

And that is once the connections are established and the data is being received, where is the algorithm for putting the data in the appropriate places in the form? You got a tax form, you're getting the stream of data, it's coming in, it's saying your mortgage interest last year was X, your wages were Y, your charitable deductions were Z, where does it put X, Y and Z? And there is no algorithm to tell us where it puts that data that's coming in. We're left to kind of assume that it magically found its way into the right places in the tax forms.

There is no algorithm to show us how that all works. It's complicated. Having represented Block, I can tell you it's a very complicated problem.

There is a statement made in the oral hearing that was brought up today by Simplification about the Purple Heart charity,

and that caught my eye, because the Purple Heart charity was mentioned at the oral hearing as though you could go out and get your charitable deductions, you could get that manually, you wouldn't have to get that necessarily fully electronically, fully automatically. But it's interesting that that was said at the oral hearing because at column four, lines 65 over to the top of column five of the patents, and I'm reasonably sure it's exactly the same in both patents because the specifications are the same in both patents, it says, for example, the taxpayer could be asked about whether the taxpayer has donated money or other items to charity, i.e., Purple Heart. That's my comment about Purple Heart. Purple Heart is not mentioned in here.

And I continue the quote. If the taxpayer has donated the electronic intermediary then notes that these charities need to be electronically contacted for collection of tax data, so the patent says one thing and at the oral hearing there was something else said.

The patent says if you want your

charitable deductions, you go out electronically and get those. But at the oral hearing, they said you can contact Purple Heart and if they can't get it to you electronically, you can put it in manually. But nowhere is that found in the patent. It's just not in the patent anywhere.

So with comments made at the oral hearing which we think are very clear, unambiguous, disavowal of claim scope, when you look at the prior art, where the prior art was, you look at how some automation was already there, you look at how manual inputting was already there, and how does Simplification get a patent here?

The only way they could get the patent to get around Beamer, to get around TurboTax, to get around all those products that were out there before, the only way they could do it is to say we're fully automated, we did the whole thing in a fully automated fashion.

So starting with the very first words of the title of their patent, fully automated, we think this Court needs to hold

them, Your Honor, to what they said all through the process which was full automation, and except for one reference to a Purple Heart charity in an oral hearing that doesn't comport with what the patent says, other than that one tiny mention, there is no mention anywhere that once you set this thing up that there is any manual intervention, it's all automatic from that point.

Thank you, Your Honor. We appreciate your attention.

THE COURT: Let me ask you a question. And I didn't want to interrupt you, I wanted you to get through the full presentation.

When I was reading your papers, I understand the fully automated argument, and I know that you want to stay away from claim interpretation becoming or being done in the context of infringement, infringing, but I can't help but when I listened to you today and when I was reading your brief to think about that, and like schedules and, you know, your typical tax documents that you prepare, and then the integration with required information.

You believe it's possible to have a fully automated program.

MR. STANDLEY: In the future, yes, I do believe that will happen.

THE COURT: And that's what I think you were saying. But do you think there is one today?

MR. STANDLEY: We know of none.

THE COURT: And --

MR. STANDLEY: It's an extremely complex problem, Your Honor. We have tried at Block, Block has tried to do this, has failed. It's a very complicated problem.

THE COURT: Just give me a little more about that so I have an understanding, like -- and I know you have tried already to give me some explanation, but what would you say in the integration of the -- let's say a person or small business's financial information and other necessary information against the required information by the government, is the biggest problem. Do you understand what I'm saying?

MR. STANDLEY: I think you're saying, Your Honor, that what we may keep in our

own personal finances that doesn't exactly equate to what the IRS requires us to put on the tax form.

THE COURT: Yes.

MR. STANDLEY: You're right, we don't typically keep our daily lives organized like a form 1040, and how it requires us to input tax data. But that's -- that is an issue, sure, but it's one of actually probably one of the more minor issues.

There are serious problems with connecting to bank networks, with connecting to state and local taxing authority networks, connecting to a charity and their network, just think of those three alone. Every door that you knock on, they have a different system. It's mind boggling how you get this stuff, this data to be able to -- how you get your system, one single system, a tax intermediary, how you get it to talk to dozen if not hundreds of different suppliers running different systems. That's the first problem.

The second problem is assume you can pull that off, which you may be able to pull

it off on a very, very small level, small basis, maybe one or two here and there that you can sweet talk into allowing you into their facility to try to see their code and see if it works, but let's say you can do that with a few, now you have got a problem, once the data is coming down the pipeline, what do you do with that data? That's the next problem. You have got to import that somehow into a tax return, not as easy as one might think how that's done.

Certainly we have instances out there where some things like that maybe have occurred, but when you're talking about a tax form and you're talking about no errors, because you can get into a lot of legal troubles if there are errors in that tax return, it's an extremely complex problem.

THE COURT: I'm trying to stay away from infringing, but tell me what it is that -- tell me the extent that Block is able to prepare an automated return.

MR. STANDLEY: Well, we have never succeeded at it in this sense. What we have been able to do is we have been able to make a

connection to certain W-2 providers, I don't have the exact number, Your Honor, but I'm almost certain it's less than ten, and on a trial basis, which went on for a few years, I'm not telling you anything I haven't told Mr. Curtin from Simplification, for a few years we tried this to get the data from just a W-2, nothing more, to import into a tax form automatically without any manual intervention by the user. We also tried it with 1099s and 1098s, which I think are mortgage interest and interest earned.

We have a few examples where we were able to make the electronic connection and then ran into problems with respect to getting it to fill out the tax form properly. Ultimately the experiment failed, we shut it down.

But I do want to stress this, that during those few years where we tried this, and the Court is ultimately going to hear evidence about how many times someone tried to use it and how many times they were successful and how many times it failed, we'll have all that before the

Court, but none of them ever did it the way this patent, these two patents describe it in the sense that not a single time were we able to fully automate the process.

We had a vision to try to do that, but it never worked. We were never able to get a fully automated tax form completed. It would be nice to take all people and error possibilities out of doing tax returns. It might make them simpler, but what we found out is it's a huge problem. But even in those instances where we were able to successfully get someone's W-2 data imported into an electronic tax return, we still had a lot of manual intervention that occurred after the initiation step.

THE COURT: All right. Thank you. I appreciate it.

MR. CURTIN: Thank you very much, Your Honor. May it please the Court, I think I have just a few minutes to make a couple of brief points. And also I realized Your Honor after I sat back down that while I passed up copies of the slides and then handed those to

opposing counsel as well, I had not provided the Court with copies of the Elmo pages that we had shown with the highlighting. And if the Court would be interested in that, we can certainly provide copies to you for your files and opposing counsel when we're done if that's okay.

Well, there are a few points, Your Honor, I want to address and I believe I can do this relatively quickly. The first thing that is important I think that struck me based on Mr. Standley's presentation, Your Honor, was that Block has spent an awful lot of time talking about the requirement that the recited claim limitations be performed automatically, and we don't dispute that.

Block acknowledges in its presentation repeatedly that those arguments about electronically were made in the context of Claims 1 and 10 of the '787 patent, and Mr. Standley's argument for why that has to be imported into all the other claims is because he argues the word electronically must mean the same thing in all claims.

Well, Your Honor, that's just not

so when you consider that we're talking about the very special definition point that Block is relying on. It was not focused on electronically in and of itself, it was focused on connecting electronically and collecting electronically in the context of those two claims, those two claim limitations.

So Block's argument because they say it as to one you say it as to all goes completely contrary to the point they're completely relying on which is the patentee can't adopt a special definition for a particular claim term for a special context to justify the claim meaning.

In that respect the context of what we're talking about there is critical.

Now, there are a couple of points I want to mention to Your Honor, and I'm going to use the Elmo to illustrate.

The first point, Your Honor, is Mr. Standley spends a considerable amount of time in his presentation poo-pooing figures one and two of the patents, which are what he calls stick figures.

Well, that may very well be what Mr. Standley calls them, but what they're called are flow charts. They're called diagrams. They're the diagrams that are standard in describing software programs. If you look to a patent that talks about software, if you look to a patent that has computer information, you're going to find diagrams, you're going to find flow charts. And for one of ordinary skill in the art, of course they are not highly detailed. The law does not require that you set forth the source code, but at the same time it puts the meat on the bone in the sense that it lays out the steps that the software is to follow.

And these are amplified, Your Honor, these individual boxes that say collect tax data, process tax data, prepare tax data are amplified by the description and steps Simplification has spent considerable time on, and it is certainly just not the case that as Mr. Standley said, that we're relying on say box 14, prepare electronic tax returns. In fact, I spent considerable time with Your Honor discussing the structure in the patent that does

show how to do that including the fact that they call out commercially available software, which under the law is sufficient structure for processing tax returns.

I also, Your Honor, I want to address Mr. Standley's contention that with regard to the definition to fully automated point that you must construe the claims as being fully automated because he says there is no manual intervention described in the patent after step 11.

Well, Your Honor, that is simply not the case. And we showed that that's not the case in my initial presentation. But I'll emphasize a couple of points. First all, we saw the preference from step 12 back to 7, it talks about that they act on that to go out and connect to and collect the data.

But most specifically, let's go back to column six, but a different part of column six than Mr. Standley was looking at. These are cites, Your Honor, that I gave you in my earlier presentation. I want to cull out this language for you. Mr. Standley says, of

course, after step 11 there is no manual intervention described. Here we are. In step 13, the electronic intermediary processes the tax data obtained electronically from the fact data provided in step 12. In the present invention, step 13 can be implemented using a computer program similar to the computer programs currently available in the marketplace such as TurboTax which is a registered trademark of Intuit, Inc.

And it goes on, Your Honor. Then let's go down a little bit, a little farther down the column, this is all in column six of the patent, particularly I'm reading -- I was reading column six lines 33 to 36, and now at column six lines 54 to 56.

Similar to step 13, step 14 can be implemented using current technology. The reference back to TurboTax. That structure, Your Honor, that structure under the law, that's a commercially available product. That tells you what you need to do. It points the person of skill in the art what they need to do to perform that step. And as I showed Your Honor

in great detail, that 1997 technology, that TurboTax software, for example, was not a fully automated piece of software, that step is not fully automated.

Processing and preparing are not fully automated given those references certainly and that's clear from that description of the specification. Manual intervention throughout, the program responds to that manual intervention by automatically processing and automatically preparing the tax return, but it is simply not fully automated.

And let's turn back to a passage of the specification that Mr. Standley culled out on one of his slides, talking about what this invention was intended to do. And he talks about how it says the invention eliminates the current requirement, but let's look at that language a little more closely. Hence with the electronic collection of tax data as in step 12, the invention eliminates the current requirement that a taxpayer manually collect the tax data, not all tax data, it's the tax data, the tax data that is capable of being electronically

collected under step 12 which as I described to Your Honor, nothing in the patent suggest that all the tax data in the world is available and capable of being collected electronically.

It eliminates the current requirement that the taxpayer manually enter such tax data to a tax return or into a computer, there you go. Again, such tax data, the tax data that was collected electronically. It is not saying that it's all the tax data you will need to do your tax return, necessarily.

For a person with a simple return who just needs a W-2, probably all of it is available electronically to be gathered. For many taxpayers it will not be. The patent recognizes that.

That is also supported, Your Honor, by the structure of the claims themselves. I beg the Court's indulgence for a moment, I seem to have lost the claims.

Let's look at Claim 1 of the '052 patent, Your Honor, and this is in column eight of the patent. And it talks about the method and this is, of course, the actual language of

the claims that define the invention. A method for automatic tax reporting by an electronic intermediary comprising, connecting electronically said electronic intermediary to a tax data provider. One or more is what A means under the patent law.

Collecting electronically tax data, again not all tax data, from said tax data provider, processing electronically said tax data collected electronically from said tax data provider to obtain processed tax data.

Again, you're electronically processing the tax data that you collected from the tax data provider. It does not say all the tax data necessary for the return.

Preparing electronically an electronic tax return using said processed tax data, which ties back to said collected tax data. There is nothing in the structure of the claims, Your Honor, that requires that all the tax data used to prepare the tax return be collected electronically according to the recited -- according to the recited steps, just that one or more pieces of tax data be collected

electronically and handled according to the steps set forth in order to satisfy the limitations of the claim.

And that actually, Your Honor, is not inconsistent with another point I wanted to address that Mr. Standley made regarding I think the only passage Mr. Standley pulled up from the hearing transcript that I had not already discussed with Your Honor. It comes at page 30.

If there is any manual input outside of initiation, then it's not covered by the claim. Mr. Sartori, it's not covered by the claim and it does not anticipate the claim.

Mr. Standley uses that to argue on a process basis that after -- that this response should be used to say a process basis, Simplification is saying from the start of the process forward there can be no manual intervention.

It's equally appropriate, Your Honor, to say, Mr. Sartori, if there is any manual input outside of initiation of the particular steps of the particular function, then it's not covered by the claim. Mr. Sartori

would agree, it's not covered by the claim. It does not meet the claim limitation and it does not anticipate the claim. He's talking about validity points, he's focusing on what the prior art has shown.

And you have to at least of course consider this statement in context with a statement we showed you earlier, which is expressly to the contrary of Block's interpretation. Judge Moore plainly ask the question. So you read these claims as excluding all manual data entries?

No, it doesn't for the fact that it's comprising, so it's open ended.

Even if you construe that part of Claim 30 in the way -- pardon, that part of page 30 in the way that Block urges, Your Honor, and we submit there are certainly other reasonable interpretations, given that view of the transcript as a whole, it runs flatly head on in what was said on Claim 8. It's a wash, because it's not as if that was a concession that was necessary in the prior art, in fact this is important for you to consider in the context of

-- I mean, I guess Block's interpretation is not necessary for Simplification to have won issuance over the prior art.

And Mr. Standley is certainly correct that disavowal, the board doesn't have to have relied on it, but it's worth noting in the context of briefs in which Simplification has said that we were clinging to these interpretations, and Block has said we are clinging to these interpretations like a life boat, that these issues never appeared in the decision of the board.

The board doesn't analyze automatic, the board doesn't analyze electronically. The decision of the board that allowed these patents to issue over the prior art hinges on the definition of the tax data. They say that Beamer and the other references do not disclose the collection of tax data. So that was the issue. And that's worth noting to kind of better get the flavor of the issue.

And one other point, Your Honor, I would like to also hit the Ormco case now if we could. I have some slides here. Mr. Standley

talked about Ormco to a considerable extent.

In Ormco, the Federal Circuit found that statements in the specification and prosecution history limited the claims to prior automatic positioning without manual intervention after the process was started. And that is correct. But Block's reliance on Ormco is misplaced because here is a quote from Ormco that the Federal Circuit found important. Nowhere does the specification suggest or even allow for human adjustment of the computer-calculated tooth finish positions.

Next slide, please. By contrast, Your Honor, Simplification's statements in the specification emphasize, for example, that software incorporating some manual intervention and manual entry falls within the scope of the patent. And also substantially hits the all tax data and virtually all hard copies language that I showed you. Therefore, Simplification's patents and the specification in Simplification's patents tell a different story than the specification of the patents issued at Ormco.

So again, this Ormco case will not bear the weight that Block assigns it.

One last point, Your Honor. And I wanted to address the issues Mr. Standley raised about the means plus functions claims. And I hit this already to some extent.

Mr. Standley says there is just no structure disclosed in the specification. And that is simply not so. As I have shown before, the specification makes it clear that the steps in the process are not all fully automated, calling out commercially available software including TurboTax, in that same context that calls out structure, that calls out structure for preparing and for the processing steps, the disclosure of the IRS E-filing in addition to TurboTax calls out structure for the filing steps.

And for collecting and connecting electronically, Your Honor, the specification sets out a step wise process for what needs to be done.

Now, Mr. Standley says, well, there are a lots of problems still, a lot of

details that aren't addressed by these patents, and that's certainly true. And those details are important to the commercial implementation of the product. And while this is as you said, Your Honor, we're not talking about commercial embodiments here, we're not talking about the accused product, it's not necessarily relevant to claim construction. Block did have terrible trouble trying to do this, but contrary to what Mr. Standley said, to the extent this may be relevant to the Court's understanding of the environment, what he calls a trial program, we call -- we seem to see from the documents we can decipher on a large number of commercial sales and the documents to the extent we can decipher them show that there were hundreds of thousands of downloaded, tens of hundreds of thousands that were successful. To the extent we can tell, to the extent we can decipher Block's documents, we are going to have depositions on that relatively soon to figure that out. But the law simply does not require that the patent disclosed every single, every single detail necessary for implementation, so these details

are important to commercial implementation of it, but you don't have to hit every step in the algorithm and that is clear. In fact, there is no way a patentee could know what CitiBank would require for format or what Fidelity would require or what Block would require, that is just not realistic and that's not the law.

In fact, the specifications of the Miller patents present far more detail than the patents that were at issue and that were found to be invalid in the Aristocrat and Harris case.

In the Aristocrat case, for example, Your Honor, there was an improvement for slot machines and a specification to look at the opinion, the specification essentially said a computer will do this, a particular feature, and that's it.

So that's a very different situation, again, than what we're facing here with Simplification and with these patents.

And with that, Your Honor, I will make one more -- one final point. With the definition of automatic, Your Honor, and the parties' proposed constructions, it seems to me

that the parties agree on some of the language, no manual intervention after initiation, the question is where you draw the line.

The -- and Block attempts to draw the line with a fully automated definition that requires that the taxpayer enter his name and enter some identifying information at the very beginning of the process, hit a button and then lean back in his chair and he doesn't have to do anything until the tax refund check hits his bank account.

Well, Your Honor, that is not what is claimed in these patents. That is not what is described in the specification. That may be fully automated, but that is not automatic.

And that is also a process, Your Honor, that as Mr. Standley implicitly acknowledged was not available in 1997 and was not performed by the software that the specification calls out. It's not in the patent record, it's not required and it's not consistent with either reality or with the patents in this case.

Thank you, Your Honor.

THE COURT: All right. Let me ask you a question. Actually I don't remember doing a tax return, I think my wife has always done them, but I have watched the process. And she gets in an office and tons of information is spread out, and then there is a sheet of paper that the accountant has her fill out, just about what information is there.

And then she starts putting it on some sort of a disk that the accountant gave her. Is that when it's supposed to kick in as automatic?

Well, give me your best estimate of when all the stuff that wasn't available already on the monthly P & Ls becomes automatic.

MR. CURTIN: Very well, Your Honor. Just one moment. Let me get the patent claim.

THE COURT: If it's not fully automated.

MR. CURTIN: Your Honor, to the extent I understand the question, I mean, is your question, Your Honor, whether or not what you're describing --

THE COURT: Here is my question, make it even simpler. I'm trying to stay away from infringement analysis, but I'm trying to understand automatic on your side of the case.

I see people tweaking the documents, the data, and the end result product going to the government throughout the process. You're telling me that there is this striking point when it becomes automatic. I'm trying to get some general idea when what you're calling automatic kicks in.

Your friends on the other side say, listen, you tried to invent something that was fully automatic and it doesn't really exist, but that's what you are describing that the tax data is supposedly electronically available kicked you in, that contradicts the idea of sitting in this room with all these papers around you, but you seem to have an idea of when automatic begins.

MR. CURTIN: Yes, Your Honor. And I think first of all in answering your question, it's important to understand --

THE COURT: I'm only talking about

tax data.

MR. CURTIN: With tax data. Well, tax data is defined in the patent as being information that is relevant to determining your tax liability, and they have examples like W-2 data, the information on our 1099s, the information on your 1098s, those are all examples given in the patent, and being examples of the sort of tax data that could be made available electronically and collected electronically from the various tax data providers, such as the IRS and banks.

An accountant sitting down with the taxpayer figuring out what all the data is, you know, like boiling down the bank statements, boiling down all the stuff, as you say, tweaking the figures, that's not recited in the steps of the patent, that is sort of -- that's preliminary. That's figuring out other information in a much more complex situation that may or may not ever ultimately end up being within the scope of these claims.

Because to get within the scope of these claims, Your Honor, it's automatic tax

reporting by an electronic intermediary. In other words, by a computer. I don't want to limit that too much, but that's an example. And I think a data processing network comprising a computer, when you sit down to the computer and it says connecting electronically said electronic intermediary to a tax data provider, I'll put this up on the Elmo, what the heck.

Connecting electronically said electronic intermediary to said tax data provider, that's one of the functions, that's one of the recited steps in the claims, Your Honor. And Simplification acknowledges as they said to the Board of Patent Appeals, and as we said in our briefs, that those recited steps individually, those functions must each be performed automatically after initiation.

So you enter in your data, your information, you sit down at your computer, you enter in your information, you hit the button and the computer goes out to connect electronically with the tax data provider, say the IRS, okay, you have hit the button, you have initiated that step, and then that's when the

automatic kicks in. Like the dishwasher that operates after you push the button, like the ATM that give us your account balance and that says yes, I want it, it goes out and connects, automatically kicks in, because it's automatically connected as part of step 12. It has the information it needs and it collects that data, and it does so automatically.

And that's Block's examples in its briefs about getting an E-mail with your W-2, that's why that doesn't infringe the claims, because you still have to take that tax data manually and type it in.

And then so the collecting electronically step again, that step occurs automatically. Again, the processing electronically step, it makes computations with that collected tax data and you see this, and it computes with it in response to that data, but also it can be an iterative process, it ask you questions and that's why the comprising language is important because it don't foreclose the concept of as the specification discloses, a tax preparation software asking you questions, what

do you need, what kind of data do you have, what's your tax situation, and you answer those questions and you hit the button, you click the mouse, and then you have given your input, you have initiated it and automatic kicks in, it processes electronically your responses, that's the difference between automatic and fully automated, because there are some intervening manual steps which comprising allows for.

And then, you know, once the programs process that tax data, it's prepared electronically in an electronic tax return using the data in there, and the invention, it performs that automatically, and that you're not telling it, you know, set up the form to look this way, put this data here and here, at least within the recited steps of the invention, recited steps in the claim, it does that automatically, but it does it in response to you saying okay, give me the tax return.

And with the filing steps similarly, Your Honor, the automatic kicks in after you hit the button, you say okay, now I'm filing, I'm ready to file, you know, you may

have -- for example, you put in yes, I'm done, here is the account, some of the dependent claims talk about getting a refund or paying your taxes and you can arrange to do that electronically as well, you have to put in your bank account information, you may have to input that information, here is my account information to --

THE COURT: But that doesn't interfere with the trigger of automatic?

MR. CURTIN: That doesn't, Your Honor, because after that, because you do that before you hit the button to say okay file, and then you have initiated that step and the filing occurs, and then it's automatic because the machine does it. The computer to use an example does it.

Just like after you're dealing with the automatic teller machine and it ask you, as an example, of automatic versus fully automated, it ask you, if it's fully automated, you're not making input, you're not doing things, but if it's automatic, the ATM ask you, okay, what do you want? Would you like your

account balance? Yes. You made some input there. Do you want checking or savings? Yes, it gives you the balance.

Do you want money? Yes. And then it gives you the money that you asked for. You have to type in those inputs. But in each step after those inputs, the machine did it automatically, that's when the automatic kicks in.

And in this patent, the automatic kicks in after the initiation of every listed step, every listed claim element. I'm pointing specifically at Claim 1 of the '052 patent.

But the difference between automatic which is what's claimed there and fully automated which is what Block argues is the comprising language that allows for intervening -- so comprising is consistent with automatic because it allows for -- it allows for the presence of the intervening steps.

The automatic doesn't kick in back at the very beginning where the taxpayer after that can lean back in the chair and not do anything more until the refund comes in, the

automatic kicks in -- sorry if that was a long answer, Your Honor.

THE COURT: No, it's -- I'm just wondering, so I own this house at the lake with my brother-in-law, and I work for DuPont, and DuPont issues me a W-2, and I don't have any health care or anything like that, and I can get that electronically; right?

MR. CURTIN: I'll assume so, Your Honor, for the question.

THE COURT: Let's just assume for the question that DuPont issues it and it kicks out electronically, and it can be moved right to my computer. And I don't have any major health deductions. I don't have any health accounts. So I'm pretty setup to push the button to send it to the IRS. I'm trying to make that part real simple.

Well, I got this house at the lake with my brother-in-law and, you know, we each take two weeks, we rent it, we have rental income coming in, it's an old house so we do a lot of repairs and we have to issue 1099s to the people that come and paint it and the people

that do the sidewalks and the grounds and everything. None of that is electronic except payment out because I have a program to my accountant that mirrors my account for the house.

MR. CURTIN: I think I'm with you.

THE COURT: At what point am I automatic under the patent?

MR. CURTIN: Well, there -- there are a couple of different questions there, Your Honor, and I'll attempt to answer them both to the extent that I understand them.

One question is when are you acting -- or when is something occurring automatically as Simplification would construe that term under the patent. That is different from when or if whatever you happen to be doing falls within the scope of the claims.

In terms of the meaning, purely the meaning of automatic, I would say that when -- you mentioned paying electronically, when you hit the button --

THE COURT: You pay the mortgage electronically, and every month you pay your

expenses on that lake house through an account, and your accountant has already set up a program that records all those payments. And, in fact, at the end of the tax year is able to issue as I understand it in today's world, they issue 1099s for people that do work for you.

MR. CURTIN: Yes, Your Honor.

THE COURT: So it's able to do that. But is that -- is that all under the automatic idea of the patent?

MR. CURTIN: Well, Your Honor, I'm not sure if any of that would necessarily fall within the scope of the claims, but just to focus on the automatic issue, I think what you're describing, Your Honor, the answer is if you're clicking buttons to make individual payments like I, for example, do electronic banking sometimes and I go to my account and they will allow to you make payments electronically from your account, you enter in the information, you have already set it up with who the payee is, you enter in the amount of the payment and the date you want to have it paid, so those are the --

THE COURT: You do it all by wire transfer.

MR. CURTIN: You hit the button and the bank is telling you on X date we will send this much money from your account, that's happening automatically after you have initiated it.

THE COURT: And I can have a program that if I put it under a certain notation it will treat it as an expense on my program for the end of the year.

MR. CURTIN: Well, then that tax program is doing that automatically, Your Honor.

THE COURT: Does that infringe the patent?

MR. CURTIN: Based on the description you have said, Your Honor, I don't think so, because the patent is focusing on automatic tax reporting, not on the details of individual accounting.

THE COURT: So then when I -- automatic only kicks in for purposes of infringement when I push the button to send it to the IRS.

MR. CURTIN: Well, Your Honor, that depends on the claim. I mean, taking this out of the context if I can, because I think it's important to be clear on this, of the example we're working with, the claims of the '052 patent, all except Claim 20 do have a filing step, so certainly to the extent -- I know you're not doing an infringement analysis here, but to the extent you're talking about falling within the scope of the claims, yes, you do have to file with the IRS to fall within Claims 1 and 19. I think Claim 20 does not have a filing step, that's a separate kind of claim.

But that -- but then what you do is you have to look at each element of course to see whether with regard to whatever transaction we're talking about, you have connected electronically your computer to the tax data provider, collected tax data electronically, and that's different than just your bank account information, or a payment you made to a -- and that's something the process actually makes clear, that's different from a given payment you might make to a creditor.

Whether it's processed electronically to turn it into a tax-return, to compute your liability and to prepare it electronically to turn it into a tax return, all those steps have to be met in order to meet the requirement of the patent claims. And all those steps -- so that's a little different.

It's not possible for me really to answer the question whether what you have described falls within the scope, would infringe the patent or falls within the scope of the patent, because you have to look at the patent as a whole.

We don't want to fall into the mistake that I think Block makes in their presentation of looking at a particular claim term in isolation. And that's the falsity of some of their analogies and their briefing, their Claim 20 scenario about the person who gets a W-2 by E-mail, or their scenario about the accountant using a calculator could somehow infringe the claims. Just not so because the fact that electronically has a certain plain meaning, so it's doing that electronically in

the broadest sense of the term doesn't mean it meets the claim language.

You have to connect --

THE COURT: I think what we're saying, for instance, is when the vendor who repaired the roof at the lake house transmits by E-mail the statement for that work, that they say that that's within the claims, I think.

MR. CURTIN: Well, I would certain --

THE COURT: It's electronically generated. It's a tax data collection, because I'm collecting an expense item. Is that what you think?

MR. STANDLEY: Well, Your Honor --

THE COURT: I don't want to characterize your argument.

MR. STANDLEY: That's fine. Your Honor, the example you gave of an E-mail coming in from the man who repairs the roof, because it's in the form of an E-mail, the person preparing the tax return is going to have to take it from site and input it with their fingers through the keyboard into the program,

so we're saying that is not automatic because the person is having to manually input that roofer's invoice.

MR. CURTIN: On that point, Your Honor, Simplification would agree, and that actually parallels an argument that was made before the Board of Patent Appeals that that is not being performed automatically.

So I believe in that particular example, that is not something that -- that likely is not something that itself would fall within the scope of the claims.

MR. STANDLEY: Your Honor, I do believe that Mr. Sartori answered your question when he spoke to the Board of Patent Appeals, and I believe I have an answer, if I may display it.

THE COURT: Sure. Did you want to add anything else?

MR. CURTIN: No, Your Honor. I'm done.

THE COURT: All right. Thank you.

MR. STANDLEY: I apologize for our personal mark ups.

THE COURT: Looks like you're working that testimony there.

MR. STANDLEY: Judge Medley said so why is that not manual? I'm quoting from the Board of Patent Appeals oral hearing, continuing the quote, they have to click on a mouse. They have to input numbers, let's say my account number. That's manual, according to what you're saying is manual. Mr. Sartori on behalf of Simplification responded and he said, We completely agree with that. That is manual. And that is step 11 in the patent. Step 11 talks about the manual part of it. It is the engaging part. It's the initiation, the starting of it. You need to tell the software what your account number is, what your pass code is. And then once it receives the information -- and, Your Honor, this is very important -- it automatically goes through not one, not two, it says all the steps in the process. It goes out to the tax data provider, collects the tax data, processes the tax data and prepares the electronic tax return.

Your Honor, you asked, how can you

prepare an electronic tax return unless you have gone out and gotten all of that information your wife has assembled on her table top as she's doing your taxes, the scenario you describe, this patent is talking about taking all that paper off your wife's desk, getting rid of it and going out and getting it all from the tax data providers sufficient to prepare the electronic tax return.

And we just don't know of anyone doing that. But that's what's patented here. That is the idea. And I think Mr. Sartori very clearly states, it goes automatically through all the steps in the process once you get the account numbers, once you get that setup phase done, then you just flip the switch and away it goes.

MR. CURTIN: If I could, Your Honor?

THE COURT: Sure.

MR. CURTIN: I want to make one more point in connection with this language and I don't have the highlighted or marked up version like Mr. Standley does, but I think it's

important to also read this passage in light of the rest of the patent specification, where it's true here, he says, you initiate, you tell the software, you give it your account number and then it goes out and it connects to the tax data provider, collects that tax data, processes that tax data and prepares the electronic tax return.

But look at that in the context of the specification, Your Honor. The specification makes it clear that there could -- in fact, that's one of the diagrams that we talked about, there can be many, many tax data providers, so you have to do this, many tax payers would have to do this again and again and again.

This statement does not mean that bingo, the tax return is prepared and it is done and it is ready to be filed because that is omitted, it doesn't mean the tax return is all done, it means that you have -- after you tell -- after you identify a tax data provider and you hit the button, it reaches out automatically, connects to the tax data provider, collects that data back, like a

simplest example is a W-2 with the IRS, it collects your W-2 data back, and then it takes that information and it processes it like a tax preparation program does. It puts it in the right places and does the computations necessary to help prepare the tax return, but your tax return is not necessarily done.

And the specification makes it clear, you may have to do this over and over again for different tax data providers. If you look at the definitions in the steps for preparing the electronic tax return, they're talking about a process, Your Honor, not the end result. The end result comes in when you have a finished tax return, whatever, and I know we're disputing this, and it's getting late, I don't want to misspeak, Block is talking about completed tax return, but whenever the tax return is ready for filing in whatever state it is, then you hit the button to file. But this does not mean and it does not say that after you initiate the process in step 11 there is no more manual intervention.

See, automatically goes through

the steps in the process. The individual -- and we have already said that those steps, the recited steps in the claims must be performed automatically. That does not preclude the possibility of all -- any kind of manual intervention. It doesn't preclude the need to circle back and do it again. It doesn't preclude the possibility of intervening steps or for all the reasons we talked about today, column six the references to --

THE COURT: When I read your papers and looked at this, I understood clearly your argument in the context of what I'll call a W-2 filer. Block raised this testimony in some arguments about -- that puts in your mind folks that aren't necessarily schedule filers, but in any given year of a tax year might be an enhanced W-2 filer.

And then when you go to the specifications and you try to read them with that kind of an understanding as opposed to the W-2 filer, that's when you start to have a little difficulty in both your arguments, fully automated and automatic, and the concept of

electronically.

But you have been helpful in answering the questions and your arguments today. And a lot of people saying just give us ten percent of what you made, we would all be out of business here.

MR. CURTIN: That's true, Your Honor.

THE COURT: Isn't that the flat tax, ten percent, or fifteen percent. But I appreciate your arguments. You have been helpful.

MR. CURTIN: Thank you, Your Honor.

THE COURT: Thank you.

MR. STANDLEY: Thank you.

MR. CURTIN: Your Honor, if I could, one question on another issue if I may. If it would be possible for the Court to clarify for my understanding, because I am not Delaware counsel, the Court's policy or practice regarding depositions, party depositions. Is it the case that in the absence of agreement between the parties otherwise, is it typically

held in the forum or do you normally do things differently?

THE COURT: If there is a dispute, it would typically be the practice to tell them to hold it in the jurisdiction here.

MR. CURTIN: Thank you, Your Honor.

THE COURT: Are you having a dispute?

MR. CURTIN: I don't know yet.

MR. STANDLEY: Your Honor, we have an executive who is going to be giving testimony and it's very difficult for him to leave Kansas City. He's going to give the testimony, but we would like to do these depositions in Kansas City. And I have been doing this for twenty years and the parties always tend to agree that his depositions will be at his office and mine will be at my office.

THE COURT: Typically that's what happens between parties. You know, when you're sitting on this side of the bench, if you try to parse it to each case, you would have no consistent theme that would be fair. So when

parties can't operate under the normal practice of noticing, in other words, if it's in Kansas City, you notice there or notice here, the only rule that you can have that kind of works, if you have an argument, then it's in Delaware.

It's not a great solution, but it is consistent, one of my kid says, consistent and dumb, but you know, that's all we can do.

MS. GRAHAM: Must be a teenager.

THE COURT: Exactly. But adults, they're even doing it now. You know, it's hard to work these out, you don't want to go to Kansas City. I have been to Kansas City. They have great steaks at The Stockyard.

MR. CURTIN: I know the food is fantastic. It's something the parties are continuing to discuss.

THE COURT: Try to work it out. If not, then you got to revert to that default position of Delaware.

MR. CURTIN: Thank you.

THE COURT: Thank you.

(Court adjourned at 5:23 p.m.)

State of Delaware)
)
New Castle County)

CERTIFICATE OF REPORTER

I, Dale C. Hawkins, Registered Merit Reporter and Notary Public, do hereby certify that the foregoing record is a true and accurate transcript of my stenographic notes taken on June 5, 2008, in the above-captioned matter.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 15th day of June, 2008, at Wilmington.

Dale C. Hawkins, RMR